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SUBJECT: Seventeen Nepalese Bureaucrats Arrested in Anti-Corruption Drive

REF: A) Kathmandu 800, B) 01 State 158542

1. (U) This is an action message. Please see para 10.

2. (SBU) Summary. Seventeen Nepalese public officials have been arrested after the government body charged with investigating corruption raided the homes of 22 revenue officers on August 17. The houses of two joint secretaries were among those searched. A special court

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has been named to hear the cases. A commissioner from the anti-corruption body told us that more such raids are planned, and that state banks and other government agencies have been asked to help with the investigation. Recent legislation granted the CIAA greater powers and put the burden of proof on public officials to prove where they obtained their assets. The CIAA has expressed an interest in obtaining bilateral aid to build its capacities. The raids were widely lauded, but many observers hope the CIAA goes after higher-level bureaucrats and politicians next. Now would be an opportune time to provide the INL-funded OPDAT course on prosecuting public corruption, which the GON agreed in February to accept. End Summary.

Corruption Body Arrests Sixteen in Nighttime Raids

3. (U) Sixteen Nepalese civil servants were arrested during the night of August 17 after officers from the Commission for the Investigation of Abuse of Authority (CIAA) searched the houses of 22 officials for evidence of malfeasance or embezzlement. A seventeenth official surrendered to authorities August 19. Five individuals under investigation were out of town, and thus were not detained. Most worked in offices charged with collecting taxes or customs duties.

Two Joint Secretaries Among the Accused

4. (U) The two highest-ranking individuals charged were joint secretary-level officers (equivalent to a U.S. Assistant Secretary): Sri Ram Pant, Chief of the Revenue Section at the Finance Ministry, and Janardan Sharma, Chief of the Inland Revenue Office, Kathmandu Area Number Two. Pant was in Delhi at the time of the raid, and cancelled his planned return to the capital August 18, citing health problems.

Special Court Nominated to Hear Cases

5. (U) A three-member Special Court will be constituted to hear these cases. On August 20 Nepal's Judicial Council agreed to put forward the names of three Appellate Court judges to make up this body. Embassy contacts confirm that all three judges have unblemished records and reputations for honesty and probity. One contact noted, however, that the three had never before been tested in such high-profile cases.

More Raids Planned

6. (SBU) More raids are planned against other corrupt officials, a CIAA Commissioner told us. He added that successful prosecution depends in large part on the level of cooperation the Commission gets from both the courts and the defendants. With only limited personnel and resources, the CIAA has had to draft officers from other ministries to help with its investigation. It has also asked for expert assistance from Nepal's state banks and line ministries to evaluate the evidence. Funding from the Danish aid agency pays for two experts, which is a great help, the Commissioner noted.

CIAA Exercising New Found Powers

17. (SBU) The CIAA Commissioner explained that the August 17 raids were the Commission's first attempt to use new powers granted to it under recently enacted legislation (Ref A). Under the new law, the CIAA can investigate anyone who appears to be living beyond his means. The burden of proof is on the defendant to prove how the assets were obtained. Those convicted of corruption face from two to ten years in prison, confiscation of their assets, and fines proportional to the value of the illegally acquired property.

18. (SBU) The Senior Governance Officer at the Asian Development Bank (ADB) in Kathmandu echoed the Commissioner's comments about new legislation enlarging the scope of the CIAA's activities. Moreover, the ADB also has concerns that the CIAA lacks the manpower and training necessary to implement these changes. The CIAA has refused the ADB's offer of loans for this purpose, but has indicated its interest in receiving grant aid from bilateral donors.

Comment

19. (SBU) Corruption is rife in Nepal. Unfortunately, previous attempts by the CIAA to prosecute corrupt public officials have failed in court. The newly-enacted legislation described in Ref A should help to strengthen the Commission. So far, public reaction to the CIAA's recent actions has been uniformly positive. Even so, most observers--both Nepali and expatriate--add that until the CIAA lands a big fish (like a Minister or leading politician), the Commission's efforts will have limited impact.

Action Request

110. (SBU) Last year INL agreed to fund Post request for an OPDAT course titled "Prosecuting Public Corruption" (Ref B). To obtain approval to sign the INL's letter of agreement for this course, Post engaged in protracted negotiations with Finance Ministry, which had to seek Cabinet-level approval before it would ink the document. A date for the course has yet to be set by DOJ. Bringing the course to Nepal now would help to redress the CIAA's training deficit and send a strong signal that the USG is committed to helping Nepal combat corruption.

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